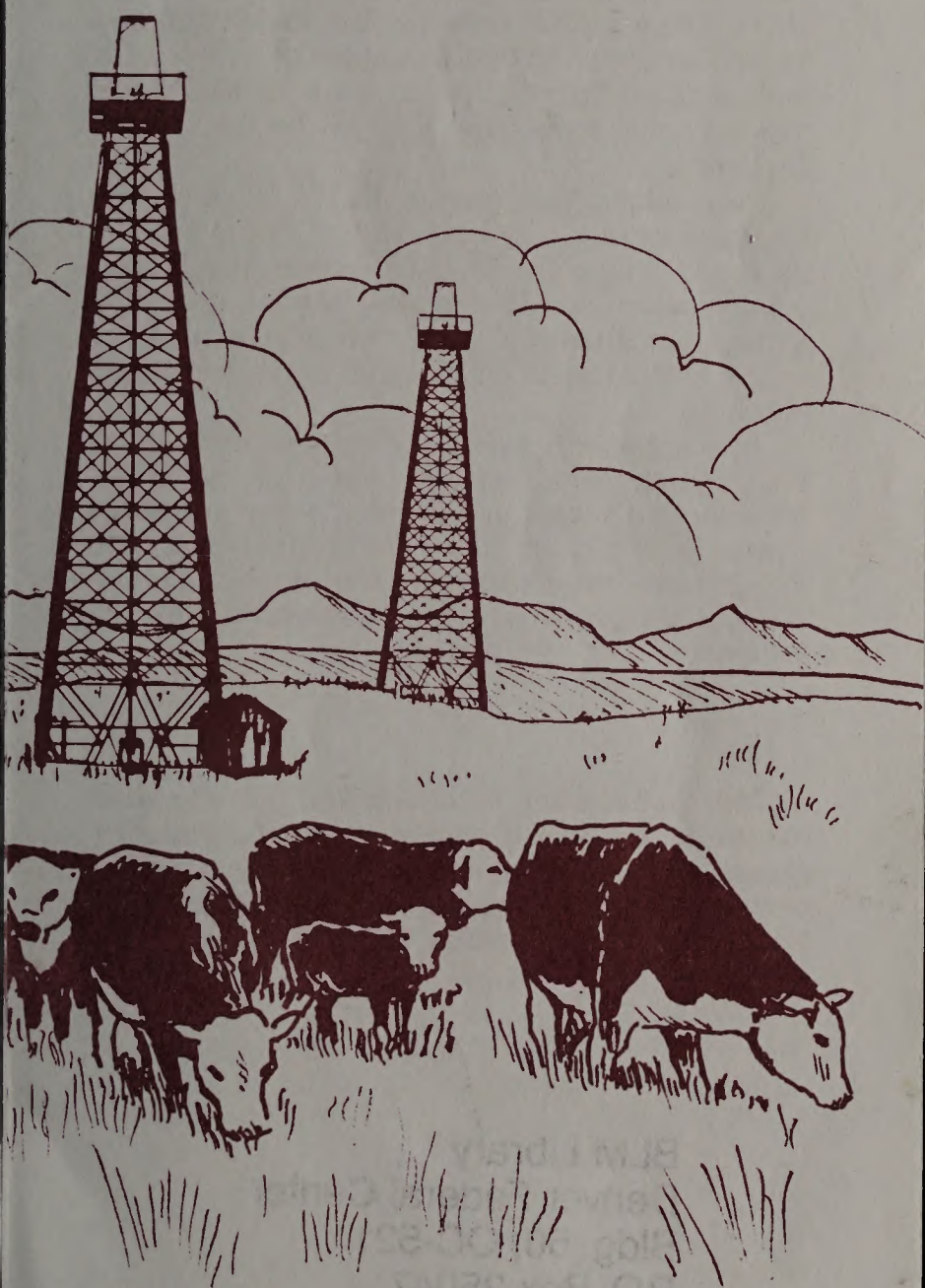


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The Federal Onshore Oil and Gas Leasing System



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U.S. DEPARTMENT OF THE INTERIOR
Bureau of Land Management

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Bureau of Land Management

This brochure provides general information on oil and gas leasing of onshore public lands.

The Mineral Leasing Act of 1920, as amended, and the Mineral Leasing Act for Acquired Lands of 1947, as amended, give the Bureau of Land Management (BLM) responsibility for oil and gas leasing on about 600 million acres of public lands and national forests, and private lands where mineral rights have been retained by the Federal Government.

Regulations that govern BLM's oil and gas leasing program may be found in Title 43, Parts 3000 and 3100 of the Code of Federal Regulations, a publication available in law libraries and most large public libraries. A copy may also be obtained from any BLM State Office listed at the end of this brochure.

As the Nation's principal conservation agency, the Department of the Interior has responsibility for fostering the wisest use of most of our nationally owned public lands and natural resources. The Department works to assure that development of mineral resources is in the best interests of the nation.

This publication is distributed as a public service by the U.S. Department of the Interior's Bureau of Land Management. Specific information on the subject is available from any BLM office. Your inquiries, comments, and suggestions are welcome.

BLM Library
Denver Federal Center
Bldg. 50, OC-521
P.O. Box 25047
Denver, CO 80225

LANDS AVAILABLE FOR LEASING

Public lands are available for oil and gas leasing only after they have been evaluated through BLM's multiple-use planning process. In areas where development of oil and gas resources would conflict with the protection or management of other resources or public land uses, mitigating measures are identified and may appear on leases as either stipulations to uses or as restrictions on surface occupancy.

LESSEE QUALIFICATIONS AND LIMITATIONS

Federal oil and gas leases may be obtained and held by any citizen of the United States; however, no lease may be acquired by a minor, but may be issued to a legal guardian or trustee on behalf of a minor. Associations of citizens and corporations organized under the laws of the United States or of any State also qualify.

Aliens may hold interests in leases only by stock ownership in U.S. corporations holding leases, and only if the laws of their country do not deny similar privileges to citizens of the United States. They may not hold a lease interest through units in a publicly traded limited partnership.

TYPES OF OIL AND GAS LEASES

BLM issues two types of oil and gas leases for oil and gas exploration and development on lands owned or controlled by the Federal Government – competitive and noncompetitive.

Competitive leases are issued for a 5-year period and noncompetitive leases are issued for a 10-year period, and both types continue for as long thereafter as oil or gas are produced in paying quantities.

The maximum competitive lease size is 2,560 acres in the lower 48 states and 5,760 acres in Alaska. The maximum noncompetitive lease size in all states is 10,240 acres.

Congress passed the Federal Onshore Oil and Gas Leasing Reform Act of 1987 to require that all public lands that are available for oil and gas leasing be offered first by competitive leasing. Noncompetitive oil and gas leases may be issued only after the lands have been offered competitively at an oral auction and not received a bid.

COMPETITIVE LEASING PROCESS

Oral auctions of oil and gas leases are conducted by BLM State Offices at least quarterly when parcels are available. A Notice of Competitive Lease Sale, which lists lease parcels to be offered at the auction, will be published by each BLM State Office at least 45 days before the auction is held. Lease stipulations applicable to each parcel are specified in the Sale Notice.

Lands included in the Sale Notice come from three sources:

- 1) Existing leases that have expired, terminated, or been canceled or relinquished;
- 2) Parcels identified by informal expressions of interest from the public, or by BLM for management reasons; or
- 3) beginning January 3, 1989, lands included in offers filed for noncompetitive leases.

Each Sale Notice may be obtained for a nominal fee from the appropriate BLM State Office having jurisdiction over the lands, as listed at the end of this brochure.

All auctions are conducted with oral bidding. Bidders must attend the auction to obtain a competitive lease, or provide for someone to represent them. No sealed or mailed bids are accepted.

On the day of the auction, the successful bidder must submit a properly executed lease bid form which constitutes a legally binding lease offer and pay a share of the sale costs (\$75 per lease); a year's advance rental (\$1.50 per acre); and not less than the \$2-per-acre minimum bonus. The balance of the bonus bid must be received within 10 working days of the auction. Those bidders who fail to submit the balance of the bonus on time will forfeit their deposited money.

Remittances may be by personal check, cashier's check, certified check, or money order, made out to Department of the Interior - BLM. Cash is not accepted.

NONCOMPETITIVE LEASING PROCESS

Noncompetitive leases may be issued only for parcels that have been offered competitively and failed to receive a bid.

The lands in expired, terminated, relinquished or canceled leases will not be available for re-leasing until they have been offered competitively in a Sale Notice for an auction, and cannot be filed on noncompetitively for one year after expiration, termination, relinquishment, or cancellation.

Following an auction, all the lands that were offered competitively but received no bids will be available for noncompetitive lease issuance for 2 years, beginning the first business day following the last day of the auction, as specified in the Sale Notice.

For noncompetitive leasing each offer must be submitted on a separate lease offer form, and from the first business day following the auction through the last day of the same month, lands must be identified only by the parcel identification number as specified in the Sale Notice. Thereafter, and until the end of the 2 years of noncompetitive availability, offers must use legal land descriptions and are not limited to the parcel configurations offered at the auction.

Offers must be made on a BLM - approved form and must include payment of a \$75 nonrefundable filing fee, and the first year's advance rental of \$1.50 per acre.

All noncompetitive lease offers filed on the first business day following the auction will be considered as having been filed simultaneously. The priority among any multiple offers received on this day for the same parcel will be determined by drawings open to the public. Offers received on subsequent days will receive priority according to the time of filing; for example, an offer filed at 10:15 a.m. will have priority over an offer filed at 10:16 a.m.

LEASE TERMS AND CONDITIONS

The lease grants the lessee the right to explore and drill for, extract, remove, and dispose of oil and gas deposits, except helium, that may be found in the leased lands.

Subject to special restrictions as noted above, the leases are granted on the condition that the lessee will have to obtain permission to conduct any surface-disturbing activities. The oil and gas lease conveys the right to develop those

resources on the leased land. The lessee cannot build a house on the land, cultivate the land, or remove any minerals other than oil and gas from the leased land.

BONDING

Before any surface-disturbing activities related to drilling can begin, the lessee or his/her operator must furnish a bond in the amount of at least \$10,000 to ensure compliance with all the lease terms, including protection of the environment. With the consent of the surety and principal, the operator may use the bond of another party such as the lessee. Each time there is a new operator, that operator must notify BLM within 30 days that he/she is the responsible operator, giving the particulars of the bond under which he/she will operate.

Acceptable instruments of bonding are surety bonds, or personal bonds accompanied by either negotiable Treasury securities, cashier's check, certified check, certificate of deposit, or letter of credit.

The BLM may require an increase in the bond amount any time conditions warrant such an increase.

RENTALS

Rental rates for both competitive and noncompetitive leases are \$1.50 per acre (or fraction thereof) in the first 5 years, and \$2.00 per acre each year thereafter. Rentals must be paid on or before the lease anniversary date to prevent statutorily required automatic termination of the lease.

ROYALTIES

Royalty on production is 12.5 percent for both competitive and noncompetitive leases.

SELLING OR ASSIGNING A LEASE

Some people who acquire an oil and gas lease will sell the lease to another party. The value of oil and gas leases varies greatly. None of the parcels offered has been evaluated by BLM for oil and gas potential prior to the competitive auction or to being made available for noncompetitive leasing. All of the lands included in noncompetitive leases have been offered at auction and received no bids.

Leases may be transferred by assignment or

sublease. The transfer must be submitted to BLM for approval within 90 days from the date of execution by the transferor. The rights of any transferee will not be recognized by the government, and the transferor will remain responsible for the lease, until the transfer has been approved by BLM. An assignment of either a separate zone or deposit or of part of a legal subdivision will not be approved. An assignment of less than 640 acres outside of Alaska, or of less than 2,560 acres within Alaska, will be approved by BLM only if the assignment constitutes the entire lease or is demonstrated to further the development of oil and gas.

HOW A LEASE EXPIRES OR TERMINATES

Oil and gas leases expire at the end of their term – the 5th year in the case of a competitive lease, or the 10th year of a noncompetitive lease – unless a well producing paying quantities of oil or gas has been developed.

Leases without a producible well automatically terminate if the lessee fails to make full and timely payment of the annual rental. The rental must be received by the proper Federal office on or before the anniversary date of the lease. The automatic termination is specifically prescribed by law, is not the result of BLM action, and cannot be waived.

The owner of a lease also may surrender the lease in whole or in part by filing a written relinquishment with the proper BLM State Office having jurisdiction over the lands. A relinquishment takes effect on the date it is filed. However, the lessee must plug any abandoned well, perform other work as may be required by BLM to place the leasehold in proper condition for abandonment, and bring his/her account into good standing. If the lessee fails to perform the necessary work, the lessee's bond will be used to do so, and the lessee will be prohibited from leasing any additional federal lands.

A lease may be canceled for failure to comply with lease terms.

**STATE OFFICES
U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

ALASKA:

701 "C" Street
Box 13
Anchorage, AK 99513

ARIZONA:

3707 North 7th Street
P.O. Box 16563
Phoenix, AZ 85014

CALIFORNIA:

Federal Building, Room E-2841
2800 Cottage Way
Sacramento, CA 95825

COLORADO:

2850 Youngfield Street
Lakewood, CO 80215

**STATES EAST OF THE MISSISSIPPI RIVER,
PLUS IOWA, MINNESOTA, MISSOURI,
ARKANSAS, LOUISIANA, AND WISCONSIN:**

Eastern States Office
350 S. Pickett Street
Alexandria, VA 22304

IDAHO:

3380 Americana Terrace
Boise, ID 83706

**MONTANA, NORTH DAKOTA AND SOUTH
DAKOTA:**

222 N. 32nd Street
P.O. Box 36800
Billings, MT 59107

NEVADA:

850 Harvard Way
P.O. Box 12000
Reno, NV 89520

**NEW MEXICO, OKLAHOMA, TEXAS AND
KANSAS:**

Joseph Montoya Federal Building
P.O. Box 1449
Santa Fe, NM 87504-1449

OREGON AND WASHINGTON:

825 N. E. Multnomah Street
P.O. Box 2965
Portland, OR 97208

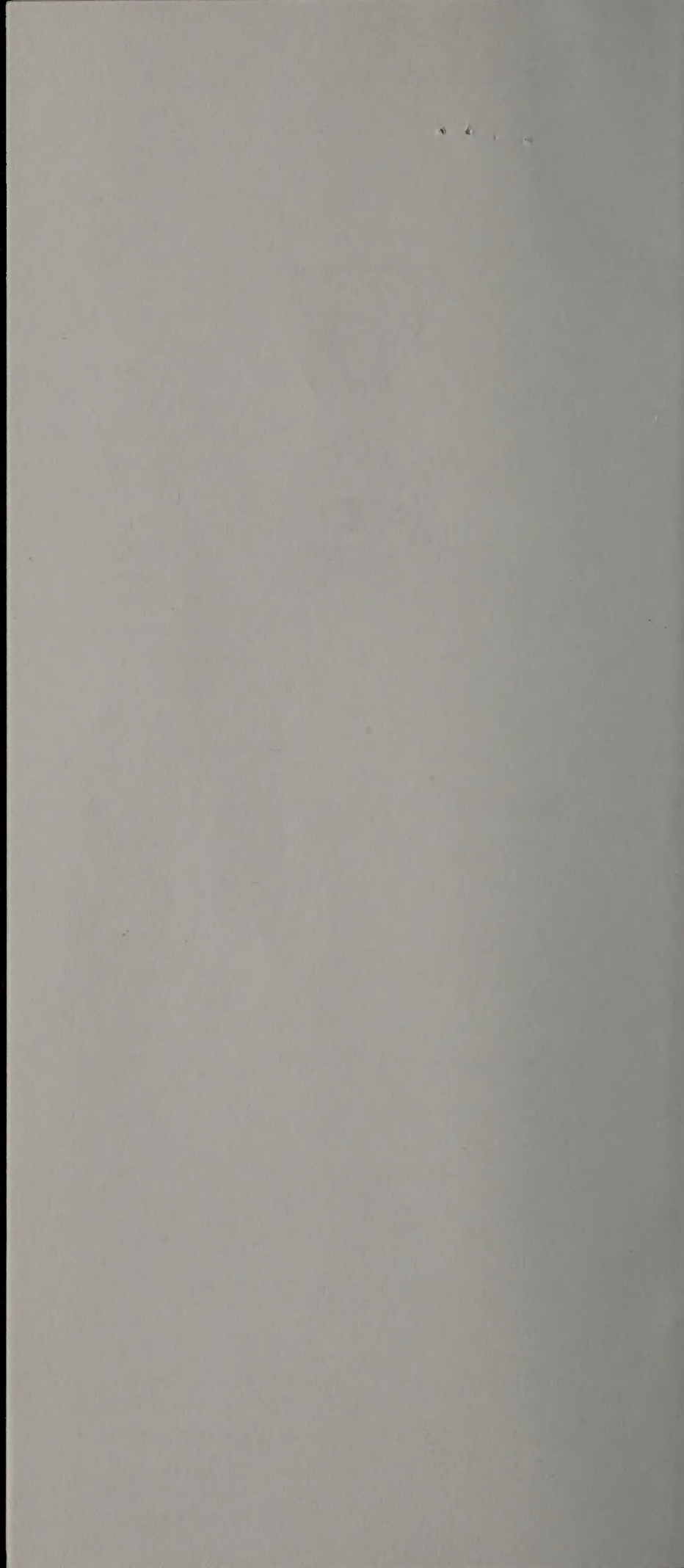
UTAH:

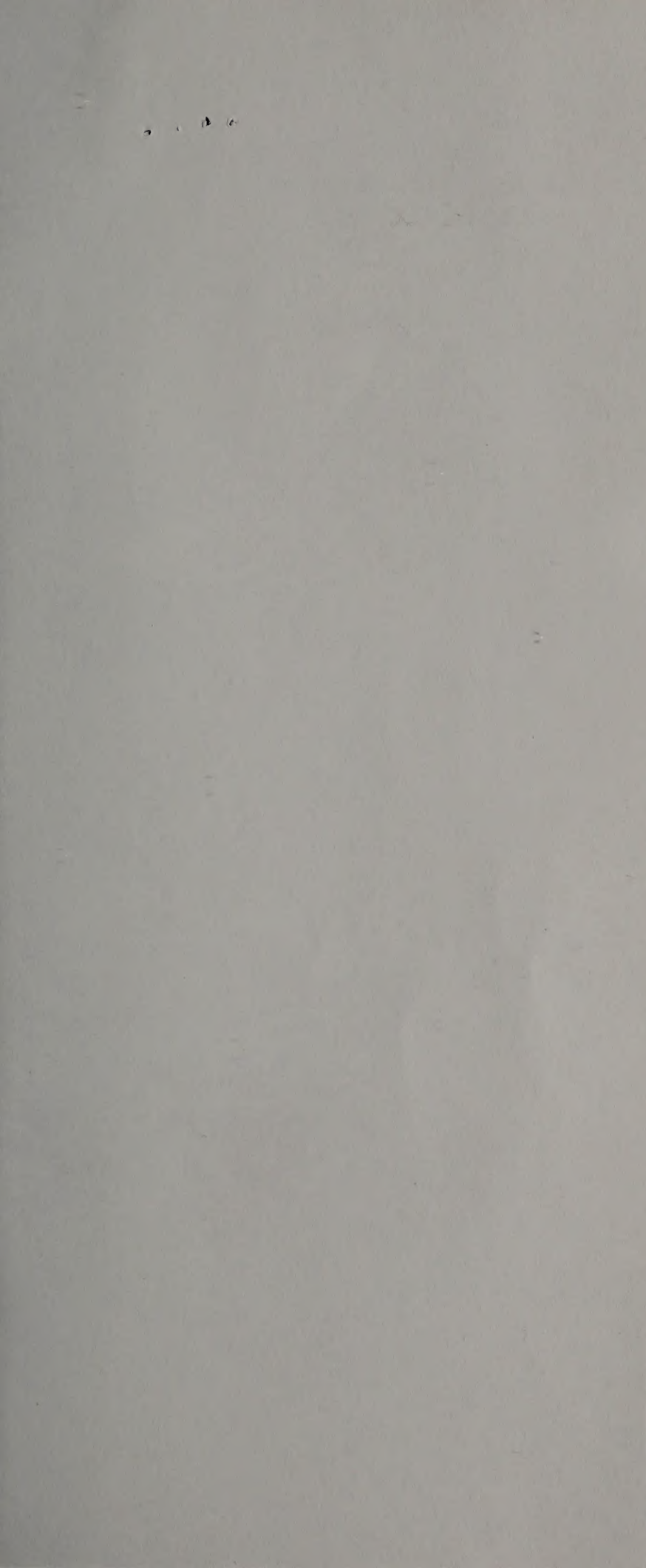
324 So. State Street
CFS Financial Center, Suite 301
Salt Lake City, UT 84111-2303

WYOMING AND NEBRASKA:

2515 Warren Avenue
P. O. Box 1828
Cheyenne, WY 82003







U.S. Department of the Interior
Bureau of Land Management
Washington, D.C. 20240

